



City of Petersburg Update

*A Briefing for the
Joint Subcommittee on Local Government
Fiscal Stress*

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Secretary of Finance
Commonwealth of Virginia

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City of Petersburg's Request for Technical Assistance

- **May 27, 2016:** Informal request for technical assistance received from Petersburg Acting City Manager
- **June 10, 2016:** Formal request for technical assistance received from Petersburg Acting City Manager with copy to City Council
- **June 13, 2016:** State team began work on-site with City staff
 - State Finance Team:
 - Dr. Sheryl Bailey, Office of the Secretary of Finance
 - Deborah Eggleston, Office of the State Inspector General
 - Eris Jones, Office of the State Inspector General
- **June 30, 2016:** City Council passed ordinance authorizing the City Manager, on behalf of City Council, to request additional technical assistance past June 30, 2016. Governor's Office granted assistance through July 29, 2016.

Initial Findings and Observations

- **Long-Term Structural Imbalance and Budgeting Issues**
 - Nearly \$16M cumulative overspending in FY 2012 – FY 2016
 - Mid-year budget amendments
- **FY 2017 Adopted Budget Imbalance**
 - Estimated \$12M budget gap
- **Liquidity Challenges (Cash)**
 - Little to no cash reserves for several years, annual tax anticipation notes used to help with insufficient liquidity
 - Short-term financing problems in FY 2017
 - Extreme difficulty paying essential bills
- **Financial Management and Reporting**
 - Minimal checks and balances and inadequate monthly cash flow tracking

Response Strategy

The Robert Bobb Group (RBG) commenced work with the City on November 25, 2016. RBG's work is divided into three phases:

- **10/25/16** to **03/24/17** – Short-term Financing and Emergency Response
- **03/25/17** to **06/30/17** – Long-term Financing and Fiscal Plan
- **07/17/17** to **09/30/17** – Technology, Data and Processes

Update on Key Issues

- City of Petersburg's Outstanding Obligations
- FY 2018 Budget
- Leadership Recruitment Progress
- School Funding
- State Financial Assistance

City of Petersburg's Outstanding Obligations

- Reduced FY 2016 outstanding obligations of \$18.8M to \$5.8M.
- Current Outstanding Obligations:
 - \$1M Vendor Payments
 - \$1.8M Storm Water Fund
 - \$1.9M School System
 - \$1.5M VRS (to be paid in full by calendar year end)
 - \$ 775K South Central Waste Water Authority (to be paid within two years)
- Other Outstanding Obligations (to be paid in full by calendar year end)
 - Crater Criminal Justice Academy, Crater Youth, Riverside Regional Jail Authority
 - Central Virginia Waste Management Authority
 - Health Department
 - District 19 Community Services Board

FY 2018 Budget

- The FY 2018 Budget represents the comprehensive set of priorities for the City, and defines how the City will spend and manage resident funds.
- Based on meetings with each department leader, discussions with Council members, and data reports from OpenGov.
- Proposed \$6M liquidity event will become part of unassigned fund balance. Potential sale of several properties owned by the City.
- City Council approved the budget on June 6.
- Anticipate \$3M short-term financing for public safety vehicles in FY 2018.
- Anticipate \$24M bond refunding in FY 2018.
- Possible revenue anticipation note in Fall 2017.

Leadership Recruitment Progress

- **City Manager**
 - New City Manager hired, start date TBD
- **CFO/Deputy City Manager**
 - Interviews in progress, new City Manager will hire
- **Deputy City Manager (Operations)**
 - New City Manager will hire
- **Finance Director**
 - New Finance Director hired, starts July 10
- **Police Chief**
 - New Police Chief hired, starts July 10

School Funding

- During pre-audit preparation work the City of Petersburg discovered a cash transfer practice dating back to at least 2006.
- Five payments made in FY 2017 accrued back to FY 2016, leaving \$1.9M remaining to be paid to the schools for FY 2017.
- Secretary of Finance coordinated a meeting with City and school officials, Department of Education, Department of Planning and Budget, and the State Council of Higher Education for Virginia to identify solutions.
- City leaders are working with school officials to establish a payment plan to get caught up on payments to the school system. City leaders are committed to ensuring compliance with state funding requirements.

Financial Assistance

- Item 257.C of House Bill 1500 (2017) authorizes the Secretary of Finance to disburse up to \$500K during FY 2017 from the State's general fund to conduct intervention and remediation efforts in situations of local fiscal distress.
- The City of Petersburg has submitted a request for funding that currently is being reviewed by the Secretary of Finance.